

MLR 8 at a glance sector specific helpsheet

Trust and Company Service Providers: Provision of the following services to third parties:

- (a) companies formation or other legal persons
- (b) acting, or arranging for another person to act:
 - (i) as a director or secretary of a company
 - (ii) as a partner of a partnership
 - (iii) in a similar position in relation to other legal persons
- (c) providing a registered office, business address, correspondence or administrative address or other related services for a company, partnership or any other legal person or arrangement
- (d) acting, or arranging for another person to act, as:
 - (i) a trustee of an express trust or similar legal arrangement
 - (ii) a nominee shareholder for another person other than a company listed on a regulated market which is subject to disclosure requirements consistent with Community legislation or equivalent international standards

Money Laundering risks			
Risk	Explanation	Triggers	Mitigating these risks
Customers	<p>Clients can be involved in money laundering in relation to their possession or use of money or other assets which are the proceeds of tax evasion or other criminal activity.</p> <p>Criminals want to keep their real identities hidden</p>	<p>Clients who are reluctant to reveal their identities.</p> <p>Clients who cannot provide convincing supporting evidence of their stated identity.</p>	<p>Effective AML policies and procedures which identify and assess the risk-factors presented by potential clients.</p> <p>Ensure that sufficient information is obtained on the purpose and intended nature of the business</p>

	<p>and will often distance themselves from the money through trust and/or company structures.</p> <p>Businesses which involve significant amounts of cash receipts can be used to conceal the proceeds of crime by describing it as the takings of the apparently legitimate business. Whilst this involves a cost to the criminal in tax payments, illegal receipts are 'washed' through the business.</p>	<p>Complex ownership structure with the potential to conceal underlying beneficial owners.</p> <p>Details of the beneficial owner are unclear.</p> <p>Non face-to-face clients who are not physically present for identification purposes.</p> <p>Unwillingness to disclose the beneficial owners or source of funds.</p> <p>Excessive or unnecessary use of nominees.</p> <p>The use of shell companies with nominee shareholders and/or directors.</p> <p>Directors from outside the EU.</p> <p>The client does not have up to date company accounts.</p> <p>The directors or beneficial owners are 'politically exposed persons' (see section 7.12.3 for definition and further guidance) who may be at risk of exposure to corruption.</p> <p>Frequent changes to shareholders and directors.</p> <p>The directors or beneficial owners enjoy a lifestyle which is not commensurate with known sources of income.</p> <p>The client has criminal convictions.</p> <p>The use of intermediaries.</p> <p>The client is in a business with high levels of cash income such as pubs, restaurants, casinos,</p>	<p>relationship to identify potential risks.</p> <p>Carry out risk-based customer due diligence checks, including enhanced due diligence where the risk of false identity or hidden beneficial owners is higher.</p> <p>Source of funds enquiries.</p> <p>Ensure appropriate procedures are in place to identify politically exposed persons (PEPS).</p>
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<p>Services and transactions</p> <p>Company or trust formation</p> <p>Handling client money</p>	<p>An increasing trend is for money launderers to employ UK company formation agents or corporate service providers to help them conceal their illicit activities. They rely on the fact that some firms are not fully aware of the risks or their legal responsibilities.</p> <p>TCSP businesses can inadvertently become directly involved in money laundering or terrorist financing, for example through setting up company and trust structures or handling client money or managing bank accounts.</p>	<p>The client makes large cash deposits or withdrawals.</p> <p>Complex financial transfers or property transactions.</p> <p>The movement of money across international borders.</p> <p>Divergence from the type, volume or frequency of transactions expected in the course of the business relationship.</p> <p>Transactions which are unusual for the type of business.</p> <p>Companies purchased which continuously make substantial losses.</p> <p>Use of bank accounts in several currencies without reason.</p> <p>Frequent transactions between the client and the same third party individual or group of individuals.</p> <p>Unusually large or complex transactions or transactions which appear not to have any commercial logic.</p> <p>The client appears uninterested in legitimate tax avoidance schemes.</p>	<p>Have risk-based procedures to monitor transactions and to identify and scrutinise:</p> <ul style="list-style-type: none"> • complex or unusually large transactions • unusual patterns of transactions which have no apparent economic or visibly lawful purpose • any other activity that could be linked to money laundering or terrorist financing <p>Ensure that relevant staff are trained to recognise such situations that give grounds for suspicion and report the details to the Nominated officer who must consider if a Suspicious Activity Report should be made to SOCA.</p>

<p>Channel</p>	<p>Clients transferring large sums of money to or from overseas locations with instructions to make cash payments may be an indication of intent to hide assets or evade taxation.</p> <p>Cash receipts might be under-declared to evade tax.</p> <p>Personal 'lifestyle' expenditure may be charged illegitimately to the company thereby depressing profits.</p> <p>False accounting by the business to overstate or understate the value of assets.</p>	<p>Numerous bank accounts.</p> <p>Large or frequent cash receipts or payments.</p> <p>Use of a client account rather than paying for things directly.</p> <p>Use of a mailing address.</p> <p>Company location offshore.</p>	<p>Report any suspicious activity to SOCA.</p> <p>Notify the client if they are in breach of tax laws and consider whether circumstances are suspicious.</p>
<p>Geography</p>	<p>Particular care needs to be taken where potential clients are based in, or wish to establish companies in, offshore locations with lax anti-money laundering controls or strict bank secrecy or confidentiality rules.</p>	<p>Involvement in countries with lax anti-money laundering controls.</p> <p>The establishment of companies in offshore locations with strict banking secrecy rules.</p> <p>The client is operating in countries with high levels of organised crime, corruption or from which terrorist organisations are known to operate.</p>	<p>Carry out enhanced due diligence including source of funds enquiries.</p>